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Counsel for Compass Partners LLC

**UNITED STATES BANKRUPTCY COURT
 DISTRICT OF NEVADA**

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| In re: USA COMMERCIAL MORTGAGE COMPANY, Debtor. | Case No. BK-S-06-10725 LBR Case No. BK-S-06-10726 LBR Case No. BK-S-06-10727 LBR |
| In re: USA CAPITAL REALTY ADVISORS, LLC, Debtor. | Case No. BK-S-06-10728 LBR Case No. BK-S-06-10729 LBR |
| In re: USA CAPITAL DIVERSIFIED TRUST DEED FUND, LLC, Debtor. | Chapter 11 Jointly Administered Under Case No. BK-S-06-10725 LBR |
| In re: USA CAPITAL FIRST TRUST DEED FUND, LLC, Debtor. | STATEMENT OF COMPASS PARTNERS LLC IN RESPONSE TO USACM'S REPLY MEMORANDUM IN SUPPORT OF MOTION FOR APPROVAL OF PROCEDURES REGARDING ASSIGNMENTS OF DIRECT LENDERS' INTERESTS IN LOANS (AFFECTS USA COMMERCIAL MORTGAGE) |
| In re: USA SECURITIES, LLC, Debtor. | |
| Affects: <input type="checkbox"/> All Debtors <input checked="" type="checkbox"/> USA Commercial Mortgage Company <input type="checkbox"/> USA Securities, LLC <input type="checkbox"/> USA Capital Realty Advisors, LLC <input type="checkbox"/> USA Capital Diversified Trust Deed Fund, LLC <input type="checkbox"/> USA First Trust Deed Fund, LLC | Date: January 17, 2007 Time: 9:30 a.m. |

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Compass Partners LLC ("Compass"), the approved purchaser of substantially all of the assets of USA Capital First Trust Deed Fund, LLC (primarily its interests in a portfolio of loans) and certain assets of USA Commercial Mortgage Company (primarily its interests in a portfolio of loans and servicing rights), hereby files this Statement in response to the Reply Memorandum in Support of Motion For Approval of Procedures Regarding Assignment of Direct Lenders' Interests in Loans, filed by USA Commercial Mortgage Company ("USACM") on December 11, 2006 (the "USACM Reply"). The USACM Reply was filed in support of the Motion For Approval of Procedures Regarding Assignments of Direct Lenders' Interests in Loans, filed by USACM on November 16, 2006 (the "Assignment Procedures Motion"). Objections to the Assignment Procedures Motion were filed by the Official Committee of Holders of Executory Contract Rights through USA Commercial Mortgage Company and two Third-Party Purchasers¹ (Debt Acquisition Company of America V, LLC ("DACA") and Hall Financial Group, Ltd). A joinder to the objections was filed by Sierra Liquidity Fund, LLC ("Sierra Liquidity") subsequent to the objection deadline.

Statement in Response to USACM Reply

1. As an initial matter, Compass favors entry of an Order granting the relief requested in the Assignment Procedures Motion, and commends the Debtors on their proposal of procedures which will facilitate the continued servicing of loans upon their assignment to Third Party Investors consistent with the terms of the Plan.

2. Notwithstanding its support of the relief requested in the Assignment Procedures Motion, Compass does not support USACM's concession in the USACM Reply that it is willing to accept a 1% servicing fee from a Third Party Investor if the existing loan servicing fee related to such loan was 1%. Compass submits it is inappropriate for USACM to

¹ Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Assignment Procedures Motion.

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1 agree to a reduction in the loan servicing fee given that Compass, and not USACM, will be
 2 servicing these loans upon the assignment. In fact, USACM will not be a party to these future
 3 loan servicing agreements, which will in fact govern the terms of *Compass'* relationship with
 4 the Third Party Investor. Hence, USACM may not agree to reduce Compass' fees under a
 5 future contract.

6
 7 3. In addition, the service fee reduction proposed by USACM would
 8 complicate, rather than facilitate, Compass' servicing of loans upon an assignment, and would
 9 thus undermine the intent of the Assignment Procedures Motion. As described more fully in the
 10 Assignment Procedures Motion, a loan servicing agreement is a contract between a loan servicer
 11 and a Direct Lender for the servicing of *all* of the Direct Lender's interests in loans serviced by
 12 such loan servicer, and is *not* tied to (and, in fact, generally does not even mention) any specific
 13 loan. By creating an exception to the standard 3% loan servicing fee (which percentage
 14 servicing fee has been charged in every loan servicing agreement executed since the
 15 Commencement Date), Compass would be required to keep track of and charge multiple loan
 16 servicing fee percentages to the same Direct Lender on a "per-loan" basis where such Direct
 17 Lender owns an interest in multiple loans, rather than on a "per-lender" basis, as is USACM's
 18 current practice.² It would be impractical, unduly burdensome, and contrary to current fee
 19 pricing and collection practices to require Compass to charge new Direct Lender customers less
 20 than 3% servicing fees or varying loan servicing fee percentages to the same Direct Lender.

21
 22
 23 4. Compass therefore requests the Court enter an Order approving the
 24 assignment procedures set forth in the Assignment Procedures Motion, and require as a
 25 condition to the effectiveness of an assignment that any assignee of a Direct Lender interest
 26 enter into a new loan servicing agreement with USACM or, following the closing of the sale,
 27

28 ² As demonstrated in the objections filed by DACA and Sierra Liquidity, it is commonplace for a Direct Lender to acquire interests in multiple loans to be serviced by Compass.

1 Compass, providing for a loan servicing fee of 3% or such other rate as the parties may agree to
2 in writing.

3
4 /s/ George A. Davis

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